

Salary Exchange for Pensions

What is Salary Exchange?

Salary Exchange gives you and Diageo an opportunity to save money by changing the way your pension contributions are paid to the Scheme. Employee pension contributions are deducted from your pay which is subject to National Insurance (NI) whereas, employer contributions are not and remain NI free. By taking advantage of this difference in treatment NI savings are made if Diageo makes your pension contributions for you. The amount you save depends on how much you earn and how much you contribute to the Scheme.

How does Salary Exchange work?

From 1 January 2011, the way in which pension contributions are paid to the Scheme for members taking part in Salary Exchange will change in the following ways:

- You will stop making pension contributions into the Scheme from your salary.
- Diageo will increase its contributions to the Scheme by an amount equal to your current normal pension contribution. Please note that any Additional Voluntary Contributions you make will **not** be included in Salary Exchange and, where applicable, these contributions will continue to be deducted from your salary.
- Your existing salary will be reduced by an amount equal to the normal pension contribution which you previously paid into the Scheme (known as Salary Exchange Adjustment).
- Your net pay (take home pay) will increase because you will be paying lower NI contributions as a result of being paid a lower salary.

How will Salary Exchange affect me?

By participating in Salary Exchange you are agreeing to a change in your terms and conditions of employment with effect from 1 January 2011; because you will be giving up an amount of your salary equal to your current normal pension contributions. However, it is important to note that:

- The overall level of contributions going into the Scheme, and all benefits payable under the Scheme, will remain unchanged. This is because they will be based on your Reference Salary, which is your annual salary before the Salary Exchange Adjustment. In addition, there will be no reduction to your Pensionable Pay as a result of taking part in Salary Exchange.
- Salary Exchange will not affect any other salary related payments or benefits that you receive from the Company, such as salary increases, freeshares, bonuses and overtime. These will all be based on your Reference Salary, which is your annual salary before the Salary Exchange Adjustment.
- Your Reference Salary will be the amount stated in any personal official letters for example, mortgage letters, loan applications or job references.

- Salary Exchange will not affect your income tax position as both employee and employer pension contributions attract tax relief.

If you are happy to participate in Salary Exchange you do not need to do anything.

If you do not wish to take part in Salary Exchange, you will need to complete the non-participation form. You must complete and return this form to the Diageo Pensions Team (address can be found at the bottom of the form).

If you have any queries please contact the Pensions Team on 0333 222 0086 or diageopensions@capita.co.uk

Salary Exchange for Pensions No-participation form - DPS

Salary Exchange for Pensions O&A's - DPS